

**MCBAIN RURAL AGRICULTURAL SCHOOLS**

**MCBAIN, MICHIGAN**

**JUNE 30, 2006**

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the McBain Rural Agricultural Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2006, on our consideration of McBain Rural Agricultural Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McBain Rural Agricultural Schools, McBain, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

McBain Rural Agricultural Schools, a K-12 school district located in Missaukee, Clare, Osceola and Wexford Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the McBain Rural Agricultural Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Capital Projects and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal years ended June 30,:

<b>Assets</b>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 5,367,609	\$ 5,120,905
Non Current Assets		
Capital Assets	\$ 14,697,188	\$14,422,919
Less Accumulated Depreciation	<u>(4,571,346)</u>	<u>(4,162,982)</u>
Total Non Current Assets	<u>\$ 10,125,842</u>	<u>\$10,259,937</u>
Total Assets	<u><u>\$ 15,493,451</u></u>	<u><u>\$15,380,842</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,219,710	\$ 1,172,083
Non Current Liabilities	<u>2,384,180</u>	<u>3,011,221</u>
Total Liabilities	<u>\$ 3,603,890</u>	<u>\$ 4,183,304</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 7,128,321	\$ 6,692,416
Restricted for Debt Service	271,104	225,716
Unrestricted	<u>4,490,136</u>	<u>4,279,406</u>
Total Net Assets	<u>\$ 11,889,561</u>	<u>\$11,197,538</u>
Total Liabilities and Net Assets	<u><u>\$ 15,493,451</u></u>	<u><u>\$15,380,842</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2006, the District's net assets increased by \$692,023. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$510,918 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2006, \$379,523 of expenditures were capitalized and recorded assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to net capital assets in the amount of \$131,395 for the fiscal year ended June 30, 2006.



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**E. Results of Operations**

For the fiscal year ended June 30, 2006 and 2005, the results of operations, on a District-wide basis, were:

	2006		2005	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$1,683,249	17.45%	\$ 1,598,159	17.57%
Investment Earnings	126,514	1.31%	54,654	0.60%
State Sources	6,321,197	65.53%	6,175,244	67.91%
Other	60,348	0.62%	34,091	0.37%
Total General Revenues	<u>\$8,191,308</u>	<u>84.91%</u>	<u>\$ 7,862,148</u>	<u>86.45%</u>
<b>Program Revenues</b>				
Charges for Services	\$ 183,130	1.90%	\$ 177,634	1.95%
Operating Grants	<u>1,272,137</u>	<u>13.19%</u>	<u>1,054,134</u>	<u>11.60%</u>
Total Program Revenues	<u>\$1,455,267</u>	<u>15.09%</u>	<u>\$ 1,231,768</u>	<u>13.55%</u>
Total Revenues	<u><u>\$9,646,575</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 9,093,916</u></u>	<u><u>100.00%</u></u>
<b>Expenses</b>				
Instruction	\$5,003,365	55.87%	\$ 4,674,580	55.00%
Supporting Services	2,621,467	29.27%	2,516,063	29.61%
Food Service	304,669	3.40%	278,798	3.28%
Athletic Activities	313,379	3.50%	299,419	3.52%
Library Activities	33,416	0.37%	21,068	0.25%
Interest on Long-Term Debt	167,181	1.87%	187,391	2.21%
Community Activities	157	0.00%	0	0.00%
Unallocated Depreciation	<u>510,918</u>	<u>5.72%</u>	<u>521,083</u>	<u>6.13%</u>
Total Expenses	<u>\$8,954,552</u>	<u>100.00%</u>	<u>\$ 8,498,402</u>	<u>100.00%</u>
Change in Net Assets	<u><u>\$ 692,023</u></u>		<u><u>\$ 595,514</u></u>	

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the District levied \$912,312 in non-homestead property taxes. This represented an increase of 4.8% from the prior year. The amount of unpaid property taxes at June 30, 2006, was \$8,058.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2005-2006	912,312
2004-2005	869,903
2003-2004	834,694
2002-2003	811,334
2001-2002	796,782

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2005-2006 fiscal year, the District received \$6,875 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past five fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2005-2006	1,055
2004-2005	1,055
2003-2004	1,097
2002-2003	1,104
2001-2002	1,069

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state, and other grants accounted for \$1,272,137.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2005-2006 fiscal year, the District amended the general fund budget in February and June 2006. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$7,996,950</u>	<u>\$8,384,655</u>	<u>\$8,461,081</u>
<u>EXPENDITURES</u>			
Instruction	\$4,941,000	\$5,173,555	\$5,035,861
Supporting Services	2,775,355	2,794,570	2,766,471
Community Services	200	200	157
Total Expenditures	<u>\$7,716,555</u>	<u>\$7,968,325</u>	<u>\$7,802,489</u>

The variance in the Total Revenue Original Budget to Final Budget was an increase of \$387,705. There was a budget adjustment needed due to additional funds received from the Intermediate School District.

The Total Revenues Variance of \$76,426 is 1% of Total Revenues and the Total Expenditure Variance was 2%.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2006, the District has \$14,697,188 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$274,269 over the prior fiscal year. Depreciation expense for the year amounted to \$510,918 bringing the accumulated depreciation to \$4,571,346 as of June 30, 2006.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**2. Long-Term Debt**

At June 30, 2006, the District had \$2,997,521 in bonded debt outstanding. This represents a reduction of \$570,000 from the amount outstanding at the close of the prior fiscal year.

**I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2006-2007 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly health insurance and retirement.
- McBain Rural Agricultural Schools has contracts with two groups. The contracts with the McBain Education Association and the McBain Educational Support Personnel Association expire at the end of the 2007-2008 school year.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, please contact McBain Rural Agricultural Schools, 107 E. Maple Street, McBain, Michigan 49657.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$	439,688
Taxes Receivable		14,187
Accounts Receivable		3,285
Interest Receivable		16,385
Inventories		1,790
Due from Other Governments		1,721,018
Prepaid Expense		7,185
Investments		3,164,071
Total Current Assets	\$	5,367,609

NON CURRENT ASSETS

Capital Assets	\$	14,697,188
Less Accumulated Depreciation		(4,571,346)
Total Non Current Assets	\$	10,125,842
TOTAL ASSETS	\$	15,493,451

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	25,658
Accrued Expenses		215,509
Accrued Interest Payable		23,500
Salaries Payable		341,702
Current Portion of Non Current Liabilities		613,341
Total Current Liabilities	\$	1,219,710

NON CURRENT LIABILITIES

Bonds Payable	\$	2,997,521
Less Current Portion of Non Current Liabilities		(613,341)
Total Non Current Liabilities	\$	2,384,180
Total Liabilities	\$	3,603,890

NET ASSETS

Invested in Capital Assets Net of Related Debt	\$	7,128,321
Restricted for Debt Service		271,104
Unrestricted		4,490,136
Total Net Assets	\$	11,889,561
TOTAL LIABILITIES AND NET ASSETS	\$	15,493,451

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

				GOVERNMENTAL ACTIVITIES
				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 4,103,564	\$ 20,925	\$ 226,269	\$ (3,856,370)
Added Needs	899,801	0	839,983	(59,818)
Supporting Services				
Pupil	183,306	0	22,419	(160,887)
Instructional Staff	108,819	0	14,303	(94,516)
General Administration	238,266	0	2,621	(235,645)
School Administration	447,234	0	0	(447,234)
Business	141,691	0	0	(141,691)
Operation and Maintenance of Plant	911,881	0	0	(911,881)
Pupil Transportation Services	563,519	0	0	(563,519)
Information Services	26,751	0	0	(26,751)
Community Services	157			(157)
Food Service	304,669	116,519	166,542	(21,608)
Athletic Activities	313,379	45,227	0	(268,152)
School Operated Public Library	33,416	459	0	(32,957)
Interest on Long Term Debt	167,181	0	0	(167,181)
Unallocated Depreciation	510,918	0	0	(510,918)
Total Governmental Activities	<u>\$ 8,954,552</u>	<u>\$ 183,130</u>	<u>\$ 1,272,137</u>	<u>\$ (7,499,285)</u>
<u>GENERAL REVENUES</u>				
Property Taxes -General Purposes				\$ 912,312
Property Taxes -Debt Service				770,937
Investment Earnings				126,514
State Sources				6,321,197
Other				60,348
Total General Revenues				<u>\$ 8,191,308</u>
Change in Net Assets				\$ 692,023
NET ASSETS - Beginning of Year				<u>11,197,538</u>
NET ASSETS - End of Year				\$ 11,889,561

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 202,499	\$ 0	\$ 237,189	\$ 439,688
Taxes Receivable	8,058	0	6,129	14,187
Accounts Receivable	3,285	0	0	3,285
Interest Receivable	7,437	8,948		16,385
Due From Other Funds	157,182	50,000	5,477	212,659
Inventories	0	0	1,790	1,790
Due from Other Governments	1,721,018	0	0	1,721,018
Prepaid Expenditures	7,185	0	0	7,185
Investments	1,698,224	1,117,506	348,341	3,164,071
TOTAL ASSETS	\$3,804,888	\$1,176,454	\$ 598,926	\$ 5,580,268
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 25,164	\$ 0	\$ 494	\$ 25,658
Accrued Expenses	215,509	0	0	215,509
Salaries Payable	341,702	0	0	341,702
Due to Other Funds	55,477	0	157,182	212,659
Deferred Revenue	4,412	0	3,847	8,259
Total Liabilities	\$ 642,264	\$ 0	\$ 161,523	\$ 803,787
<u>FUND BALANCES</u>				
Reserved for Inventory	\$ 0	\$ 0	\$ 1,790	\$ 1,790
Reserved for Prepaid Expenditures	7,185	0	0	7,185
Reserved for Endowments	0	0	50,000	50,000
Reserved for Debt Service	0	0	294,604	294,604
Unreserved, Designated for, Reported In:				
Special Revenue Funds	0	0	91,009	91,009
Capital Project Fund	0	1,176,454	0	1,176,454
Unreserved, Undesignated	3,155,439	0	0	3,155,439
Total Fund Balances	\$3,162,624	\$1,176,454	\$ 437,403	\$ 4,776,481
TOTAL LIABILITIES AND FUND BALANCES	\$3,804,888	\$1,176,454	\$ 598,926	\$ 5,580,268

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances		\$ 4,776,481
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$ 14,697,188	
Accumulated depreciation is	<u>(4,571,346)</u>	10,125,842
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(2,997,521)
Balance of taxes receivable at June 30, 2006, expected to be collected after September 1, 2006		8,259
Accrued interest is not included as a liability in government funds; it is recorded when paid		<u>(23,500)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 11,889,561</u></u>

The notes to the financial statements are an integral part of this statement.



MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$1,060,954	\$ 45,903	\$ 942,672	\$ 2,049,529
Intermediate Sources	0	0	23,934	23,934
State Sources	6,625,078	0	24,031	6,649,109
Federal Sources	382,752	0	148,954	531,706
Other Transactions	392,297	0	0	392,297
Total Revenues	<u>\$8,461,081</u>	<u>\$ 45,903</u>	<u>\$ 1,139,591</u>	<u>\$ 9,646,575</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	\$4,136,060	\$ 0	\$ 0	\$ 4,136,060
Added Needs	899,801	0	0	899,801
Supporting Services				
Pupil	183,306	0	0	183,306
Instructional Staff	128,354	0	0	128,354
General Administration	238,266	0	0	238,266
School Administration	447,234	0	0	447,234
Business	144,125	0	0	144,125
Operation and Maintenance of Plant	860,927	0	0	860,927
Pupil Transportation Services	737,508	0	0	737,508
Central Information Services	26,751	0	0	26,751
Community Services	157	0	0	157
Food Service Activities	0	0	298,297	298,297
Athletic Activities	0	0	313,379	313,379
School Operated Public Library	0	0	33,416	33,416
Capital Outlay	0	221,829	0	221,829
Debt Service				
Principal	0	0	570,000	570,000
Interest	0	0	176,407	176,407
Total Expenditures	<u>\$7,802,489</u>	<u>\$ 221,829</u>	<u>\$ 1,391,499</u>	<u>\$ 9,415,817</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 658,592</u>	<u>\$ (175,926)</u>	<u>\$ (251,908)</u>	<u>\$ 230,758</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	\$ 0	\$ 100,000	\$ 275,059	\$ 375,059
Operating Transfers Out	(375,059)	0	0	(375,059)
Total Other Financing Sources (Uses)	<u>\$ (375,059)</u>	<u>\$ 100,000</u>	<u>\$ 275,059</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ 283,533</u>	<u>\$ (75,926)</u>	<u>\$ 23,151</u>	<u>\$ 230,758</u>
<u>FUND BALANCE - Beginning of Year</u>	<u>2,879,091</u>	<u>1,252,380</u>	<u>414,252</u>	<u>4,545,723</u>
<u>FUND BALANCE - End of Year</u>	<u><u>\$3,162,624</u></u>	<u><u>\$1,176,454</u></u>	<u><u>\$ 437,403</u></u>	<u><u>\$ 4,776,481</u></u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds	\$ 230,758
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(510,918)
Capital Outlay	379,523
Loss on Sale of Assets	(2,700)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	32,726
Accrued Interest Payable - End of Year	(23,500)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	570,000
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds, it is recorded on the modified accrual method and not considered available:

Deferred Revenue - Beginning of Year	(5,825)
Deferred Revenue - End of Year	8,259

Employees Retirement Benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Retirement Benefits - Beginning of Year	13,700
Retirement Benefits - End of Year	<u>0</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 692,023</u></u>
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The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 56,983</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 56,983
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,983</u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the McBain Rural Agricultural Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

McBain Rural Agricultural Schools (the "District") is located in Clare, Missaukee, Osceola and Wexford Counties with its administrative offices located in McBain, Michigan. The District is governed by the McBain Rural Agricultural Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,055 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital project fund* accounts for the acquisition of fixed assets or construction of major capital projects.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic, and public library activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005. For fiscal year ended June 30, 2006, the per pupil foundation allowance was \$6,875 for McBain Rural Agricultural Schools.

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The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

**1. Cash and Investments**

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

**2. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt Service Fund - Homestead and non-homestead	5.0000

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

Noncurrent accumulated unpaid compensated absences are not accrued in governmental funds (using the modified accrual basis of accounting). The liability, if any, would be recorded in the general long-term debt group of accounts. The District did not have any accumulated unpaid sick pay liability at June 30, 2006 or 2005.



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7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

- A. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not

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NOTES TO FINANCIAL STATEMENTS  
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constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 9, 2005, or as amended by the School Board of Education on February 9 and June 8, 2006.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

School Service Fund - Athletic Activities expenditures of \$313,379 exceeded appropriations of \$300,395 by \$12,984. School Service Fund - Food Service expenditures of \$298,297 exceeded appropriations of \$244,000 by \$54,297. School Service Fund – School Operated Public Library expenditures of \$33,416 exceeded appropriations of \$28,700 by \$4,716. These over expenditures were funded by available fund balance.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are on deposit with Chemical Bank and Michigan School District Liquid Asset Fund Plus.

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*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$443,807 of the government's bank balance of \$994,101 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>3,164,071</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 439,688	\$ 0	\$ 56,983	\$ 496,671
Investments	0	3,164,071	0	3,164,071
	<u>\$ 439,688</u>	<u>\$ 3,164,071</u>	<u>\$ 56,983</u>	<u>\$3,660,742</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Project	Nonmajor and Other Funds	Total
Receivables				
Taxes	\$ 8,058	\$ 0	\$ 6,129	\$ 14,187
Accounts	3,285	0	0	3,285
Interest	7,437	8,948	0	16,385
Due from Other Governments	1,721,018	0	0	1,721,018
Total Receivables	<u>\$1,739,798</u>	<u>\$ 8,948</u>	<u>\$ 6,129</u>	<u>\$1,754,875</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

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	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 4,412	\$ 0
Delinquent Property Taxes Receivable (Debt Service Fund)	3,847	0
Grants Receipts Received, But Not Yet Utilized	<u>0</u>	<u>0</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 8,259</u>	<u>\$ 0</u>

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated - Land	\$ 271,423	\$ 0	\$ 0	\$ 271,423
Capital assets being depreciated				
Land improvements	\$ 86,216	\$ 0	\$ 0	\$ 86,216
Buildings and additions	10,356,764	26,283	0	10,383,047
Machinery and equipment	2,893,203	150,920	54,434	2,989,689
Transportation equipment	815,313	202,320	50,820	966,813
Subtotal	<u>\$14,151,496</u>	<u>\$ 379,523</u>	<u>\$105,254</u>	<u>\$14,425,765</u>
Less accumulated depreciation for:				
Land improvements	\$ 26,832	\$ 4,311	\$ 0	\$ 31,143
Buildings and additions	2,271,732	199,283	0	2,471,015
Machinery and equipment	1,504,523	219,608	54,434	1,669,697
Transportation equipment	359,895	87,716	48,120	399,491
Accumulated depreciation	<u>\$ 4,162,982</u>	<u>\$ 510,918</u>	<u>\$102,554</u>	<u>\$ 4,571,346</u>
Net capital assets being depreciated	<u>\$ 9,988,514</u>	<u>\$(131,395)</u>	<u>\$ 2,700</u>	<u>\$ 9,854,419</u>
Net Capital assets	<u>\$10,259,937</u>	<u>\$(131,395)</u>	<u>\$ 2,700</u>	<u>\$10,125,842</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$510,918. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2006:

	<u>GENERAL OBLIGATION BONDS</u>			<u>TOTAL</u>
	<u>1997</u>	<u>1998</u>	<u>2002</u>	
Long-Term Debt				
at June 30, 2005	\$3,120,000	\$ 47,521	\$400,000	\$3,567,521
Bonds Retired	(390,000)	0	(180,000)	(570,000)
 LONG-TERM				
AT JUNE 30, 2006	<u>\$2,730,000</u>	<u>\$ 47,521</u>	<u>\$220,000</u>	<u>\$2,997,521</u>

At June 30, 2006, the School's General Long-Term Debt consisted of the following:

GENERAL OBLIGATION SERIAL BONDS - 1997

McBain Rural Agricultural Schools Building and Site Bonds, Dated November 1, 1997, are Due in Annual Installments of \$390,000 through May 1, 2013, Interest is Paid Semi-Annually and is Computed at Rates Varying from 4.60% to 5.00% Per Annum

\$ 2,730,000

SELF-LIQUIDATING BONDS - 1998 (DURANT)

1998 School Improvement Bond Due in Annual Installments of \$3,341 to \$23,643, through May 15, 2013, Interest at 3.451%

47,521

GENERAL OBLIGATION SERIAL BONDS - 2002

McBain Rural Agricultural Schools Building and Site Bonds, Dated August 1, 2002, are Due in Annual Installments of \$220,000 through May 1, 2007. Interest is Paid Semi-Annually and is Computed at a Rates of 3.00% Per Annum

220,000

\$ 2,997,521

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The annual requirements to amortize all debt outstanding as of June 30, 2006, including interest of \$554,834 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>2002</u>	<u>1998</u>	<u>1997</u>	<u>TOTAL</u>
2007	\$ 226,600	\$ 5,223	\$ 522,990	\$ 754,813
2008	0	5,224	504,856	510,080
2009	0	5,224	486,526	491,750
2010	0	5,223	467,806	473,029
2011	0	5,223	448,696	453,919
2012-2013	0	29,872	838,892	868,764
	<u>\$ 226,600</u>	<u>\$ 55,989</u>	<u>\$ 3,269,766</u>	<u>\$ 3,552,355</u>

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2006, were:

	<u>INTERFUND</u> <u>RECEIVABLES</u>	<u>INTERFUND</u> <u>PAYABLES</u>
General Fund	\$ 157,182	\$ 55,477
School Service Fund - Food Service	0	130,248
School Service Fund - Public Library Fund	0	26,934
Debt Retirement Fund - 1997 Debt Fund	3,851	0
Debt Retirement Fund - 2002 Debt Fund	1,626	0
Capital Project Fund	50,000	0
	<u>\$ 212,659</u>	<u>\$ 212,659</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Interfund transfers are as shown in the individual fund financial statements at June 30, 2006, were:

	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 375,059
School Service Fund - Food Service	16,000	0
School Service Fund - Athletic Activities	259,059	0
Capital Project Fund	100,000	0
	<u>\$ 375,059</u>	<u>\$ 375,059</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**F. Leases**

The rental expense for the year ended June 30, 2006, totaled \$6,890.

The rental expense consists of lease agreements on copiers and uniforms. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2007	\$ 3,609
2008	3,609
2009	<u>1,805</u>
	<u>\$ 9,023</u>

**NOTE 4 - OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87% of payroll through September 30, 2005, and 16.34% effective October 1, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$731,237, \$635,813 and \$595,083 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

The District maintains a self-insurance program to provide dental and vision benefits to its employees and their families. The program is administered by an independent company, which furnishes claims review and processing. The dental benefit is limited to \$1,000 for each eligible individual. The vision benefit is limited by maximum payments by type and frequency of service.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in balances of claims liabilities are as follows:

	<u>VISION</u>	<u>DENTAL</u>
Claims Liability Beginning of Year	\$ 1,329	\$ 7,083
Claims Incurred During the Year	25,112	82,072
Payment of Claims During the Year	<u>(23,608)</u>	<u>(82,504)</u>
Claims Liability End of Year	<u>\$ 2,833</u>	<u>\$ 6,651</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 966,640	\$ 1,028,140	\$ 1,060,954
State Sources	6,537,960	6,598,035	6,625,078
Federal Sources	348,800	383,480	382,752
Other Transactions	143,550	375,000	392,297
Total Revenues	<u>\$ 7,996,950</u>	<u>\$ 8,384,655</u>	<u>\$ 8,461,081</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	\$ 4,035,525	\$ 4,232,375	\$ 4,136,060
Added Needs	905,475	941,180	899,801
Supporting Services			
Pupil	187,905	182,175	183,306
Instructional Staff	209,275	138,230	128,354
General Administration	241,745	245,580	238,266
School Administration	451,675	460,735	447,234
Business	143,865	147,440	144,125
Operation and Maintenance of Plant	824,010	852,865	860,927
Pupil Transportation Services	675,030	737,795	737,508
Central Information Services	41,850	29,750	26,751
Community Services	<u>200</u>	<u>200</u>	<u>157</u>
Total Expenditures	<u>\$ 7,716,555</u>	<u>\$ 7,968,325</u>	<u>\$ 7,802,489</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 280,395	\$ 416,330	\$ 658,592
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	<u>(280,395)</u>	<u>(380,395)</u>	<u>(375,059)</u>
Net Change in Fund Balance	\$ 0	\$ 35,935	\$ 283,533
<u>FUND BALANCE</u> - Beginning of Year	<u>2,685,270</u>	<u>2,879,091</u>	<u>2,879,091</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,685,270</u>	<u>\$ 2,915,026</u>	<u>\$ 3,162,624</u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2006

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT RETIREMENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 237,189	\$ 0	\$ 237,189
Taxes Receivable	0	6,129	6,129
Due from Other Funds	0	5,477	5,477
Inventory	1,790	0	1,790
Investments	61,496	286,845	348,341
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 300,475	\$ 298,451	\$ 598,926
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 494	\$ 0	\$ 494
Due to Other Funds	157,182	0	157,182
Deferred Revenue	0	3,847	3,847
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 157,676	\$ 3,847	\$ 161,523
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u>			
Reserved	\$ 51,790	\$ 294,604	\$ 346,394
Unreserved			
Designated	91,009	0	91,009
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 142,799	\$ 294,604	\$ 437,403
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 300,475	\$ 298,451	\$ 598,926
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 165,326	\$ 777,346	\$ 942,672
Intermediate Sources	23,934	0	23,934
State Sources	18,808	5,223	24,031
Federal Sources	148,954	0	148,954
Total Revenues	<u>\$ 357,022</u>	<u>\$ 782,569</u>	<u>\$ 1,139,591</u>
<u>EXPENDITURES</u>			
Food Service	\$ 298,297	\$ 0	\$ 298,297
Athletic Activities	313,379	0	313,379
School Operated Public Library	33,416	0	33,416
Debt Service			
Principal	0	570,000	570,000
Interest and Other	0	176,407	176,407
Total Expenditures	<u>\$ 645,092</u>	<u>\$ 746,407</u>	<u>\$ 1,391,499</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (288,070)	\$ 36,162	\$ (251,908)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	<u>275,059</u>	0	275,059
Net Change in Fund Balance	\$ (13,011)	\$ 36,162	\$ 23,151
<u>FUND BALANCE</u> - Beginning of Year	<u>155,810</u>	<u>258,442</u>	<u>414,252</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 142,799</u>	<u>\$ 294,604</u>	<u>\$ 437,403</u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 202,499	\$ 68,825
Taxes Receivable	8,058	6,976
Accounts Receivable	3,285	450
Interest Receivable	7,437	0
Due from Other Funds	157,182	111,512
Due from Other Governmental Units	1,721,018	1,311,102
Prepaid Expenditures	7,185	19,800
Investments	1,698,224	2,137,731
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,804,888	\$ 3,656,396
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 25,109	\$ 29,146
Due to Other Funds	55,477	205,477
Payroll Deductions and Withholdings	55	78
Accrued Expenses	215,509	199,400
Salaries Payable	341,702	340,442
Deferred Revenue	4,412	2,762
	<hr/>	<hr/>
Total Liabilities	\$ 642,264	\$ 777,305
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved		
Prepaid Expenditures	\$ 7,185	\$ 19,800
Unreserved		
Designated for Capital Outlay	0	63,532
Undesignated	3,155,439	2,795,759
	<hr/>	<hr/>
Total Fund Balance	\$ 3,162,624	\$ 2,879,091
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,804,888	\$ 3,656,396
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources	\$ 1,060,954	\$ 953,286
State Sources	6,625,078	6,513,363
Federal Sources	382,752	372,086
Other Transactions	392,297	158,382
	<hr/>	<hr/>
Total Revenues	\$ 8,461,081	\$ 7,997,117
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	\$ 1,933,920	\$ 1,688,916
Middle School	858,496	910,831
High School	1,247,120	1,174,247
Pre-School	96,524	91,643
Added Needs		
Special Education	629,287	581,695
Compensatory Education	270,514	268,923
Adult/Continuing Education	0	1,698
Supporting Services		
Pupil		
Guidance Services	80,368	77,761
Health Services	4,640	8,250
Social Work Services	94,713	87,158
Other Pupil Services	3,585	12,554
Instructional Staff		
Improvement of Instruction	19,730	21,900
Library	66,277	124,283
Educational Television	13,790	14,247
Computer Assisted Instruction	28,557	51,302
General Administration		
Board of Education	38,345	42,071
Executive Administration	199,921	191,521

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
School Administration		
Office of the Principal		
Elementary	184,232	165,934
Middle School	139,284	140,952
High School	123,718	120,560
Business		
Fiscal Services	78,475	75,040
Other Business Services	65,650	68,346
Operation and Maintenance of Plant	860,927	778,845
Pupil Transportation Services	737,508	615,536
Central Information Services	26,751	35,970
Community Services		
Civic Activities	157	0
Total Expenditures	<u>\$ 7,802,489</u>	<u>\$ 7,350,183</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 658,592	\$ 646,934
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers (Out)	<u>(375,059)</u>	<u>(471,153)</u>
Net Change in Fund Balance	\$ 283,533	\$ 175,781
<u>FUND BALANCE</u> - Beginning of Year	<u>2,879,091</u>	<u>2,703,310</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 3,162,624</u></u>	<u><u>\$ 2,879,091</u></u>



MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	2006	2005
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 912,312	\$ 869,903
Penalties and Interest on Delinquent Taxes	424	475
Tuition and Drivers Education Fees	20,550	20,710
Earnings on Investments and Deposits	71,585	29,779
Other Local Revenues		
Rentals	375	250
Oil and Gas Rent and Royalties	4,251	2,932
Miscellaneous	51,457	29,237
Total Local Sources	\$ 1,060,954	\$ 953,286
<u>STATE SOURCES</u>		
Grants-In-Aid		
Received through the State		
State School Aid	\$ 6,625,078	\$ 6,509,670
Driver Education	0	3,693
Total State Sources	\$ 6,625,078	\$ 6,513,363
<u>FEDERAL SOURCES</u>		
Grant-In-Aid Restricted		
Received through the State		
Title I	\$ 268,867	\$ 236,817
Title II Part A	71,882	71,378
Title II Part D	5,016	6,018
Title V	6,303	9,531
Drug Free Schools	8,000	7,957
Family Independence Agency	15,607	27,581
Homeland Security	2,621	6,600
Received through Other Districts		
Medicaid Outreach	4,456	6,204
Total Federal Sources	\$ 382,752	\$ 372,086

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Wexford-Missaukee Intermediate School District		
Medicaid Caseload Coordination	\$      2,356	\$       513
Special Education	330,001	108,476
Interpreters	31,662	28,419
Transition	24,566	19,574
Sale of Fixed Assets	3,712	1,400
	<hr/>	<hr/>
Total Other Transactions	\$    392,297	\$    158,382
	<hr/>	<hr/>
TOTAL REVENUES	<u><u>\$  8,461,081</u></u>	<u><u>\$  7,997,117</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries		
Teachers	\$ 1,176,918	\$ 1,070,887
Aides	75,664	56,126
Substitute Teachers	26,532	22,414
Substitute Aides	5,401	3,699
Employee Benefits		
Life and Long-Term Disability Insurance	4,893	4,915
Health Insurance	227,652	205,350
Dental Insurance	22,651	17,155
Vision Insurance	6,465	5,415
Retirement	199,126	166,918
Employer Social Security	94,489	87,143
Worker's Compensation	288	285
Unemployment	616	3,359
Purchased Service		
Instructional Services	671	75
Travel and Conferences	27	0
Printing and Binding	230	134
Repair of Equipment	1,753	641
Supplies and Materials		
Teaching Supplies	31,773	30,511
Textbooks	55,390	9,602
Other Supplies and Materials	3,027	1,184
Capital Outlay		
Equipment and Furniture	0	2,774
Other Expense		
Miscellaneous	354	329
Total Elementary	<u>\$ 1,933,920</u>	<u>\$ 1,688,916</u>
<u>Middle School</u>		
Salaries		
Teachers	\$ 566,729	\$ 608,742
Substitute Teachers	18,739	12,751

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
Employee Benefits		
Life and Long-Term Disability Insurance	2,570	2,568
Health Insurance	101,161	105,455
Dental Insurance	9,866	9,427
Vision Insurance	3,439	2,716
Retirement	93,159	90,000
Employer Social Security	44,339	46,864
Worker's Compensation	131	153
Purchased Services		
Instructional Services	218	478
Travel and Conferences	44	0
Printing and Binding	1,732	1,945
Repair of Equipment	583	0
Supplies and Materials		
Teaching Supplies	10,537	14,650
Textbooks	1,591	13,200
Other Supplies and Materials	1,515	1,250
Capital Outlay		
Equipment and Furniture	1,370	0
Other Expense		
Dues and Fees	705	595
Miscellaneous	68	37
Total Middle School	\$ 858,496	\$ 910,831
<u>High School</u>		
Salaries		
Teachers	\$ 705,494	\$ 696,739
Aides	13,886	11,058
Substitute Teachers	17,237	15,916
Employee Benefits		
Life and Long-Term Disability Insurance	2,705	2,778
Health Insurance	123,550	105,545
Dental Insurance	10,032	8,470
Vision Insurance	2,238	2,842
Retirement	113,851	104,427
Employer Social Security	55,807	54,840
Worker's Compensation	165	178
Unemployment	438	0

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Purchased Services		
Instructional Services	68,722	66,633
Contracted Services	0	21,374
College Tuition	10,461	9,393
Travel and Conferences	1,544	927
Printing and Binding	1,756	1,654
Repair of Equipment	4,602	2,482
Supplies and Materials		
Teaching Supplies	50,794	40,586
Textbooks	54,709	20,346
Other Supplies and Materials	4,211	2,523
Other Expense		
Dues and Fees	4,834	5,465
Miscellaneous	84	71
Total High School	<u>\$ 1,247,120</u>	<u>\$ 1,174,247</u>
 <u>Pre-School</u>		
Salaries		
Teachers	\$ 51,398	\$ 48,829
Aides	15,341	14,360
Substitute Teachers	54	92
Employee Benefits		
Life and Long-Term Disability Insurance	309	309
Health Insurance	4,328	4,099
Dental Insurance	509	619
Vision Insurance	407	205
Retirement	10,768	9,291
Employer Social Security	5,035	4,771
Worker's Compensation	15	16
Purchased Services		
Instructional Services	0	45
Home Visit Mileage	225	188
Travel and Conferences	687	1,060
Supplies and Materials		
Teaching Supplies	6,602	7,659

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
Other Expense		
Dues and Fees	0	100
Miscellaneous	846	0
Total Pre-School	\$ 96,524	\$ 91,643

Added Needs

Special Education

Salaries		
Teachers	\$ 294,018	\$ 280,503
Aides	121,506	112,210
Substitute Teachers	7,095	7,230
Employee Benefits		
Life and Long-Term Disability Insurance	1,851	1,817
Health Insurance	78,799	73,853
Dental Insurance	11,179	5,903
Vision Insurance	3,290	1,781
Retirement	67,356	58,357
Employer Social Security	31,725	29,827
Worker's Compensation	94	84
Unemployment	0	4,447
Purchased Services		
Contracted Services	9,626	0
Instructional Services	0	204
Travel and Conferences	115	186
Supplies and Materials		
Teaching Supplies	2,202	4,649
Textbooks	431	644
Total Special Education	\$ 629,287	\$ 581,695

Compensatory Education - Title I

Salaries		
Teachers	\$ 165,356	\$ 158,931
Aides	23,270	32,450
Substitute Teachers	1,283	1,633
Employee Benefits		
Life and Long-Term Disability Insurance	871	871
Health Insurance	25,449	24,044
Dental Insurance	3,104	2,843

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
Vision Insurance	1,190	867
Retirement	30,111	27,641
Employer Social Security	14,208	14,458
Worker's Compensation	42	48
Supplies and Materials		
Teaching Supplies	5,630	5,137
Total Compensatory Education - Title I	\$ 270,514	\$ 268,923
<u>Adult/Continuing Education</u>		
Purchased Services		
Instructional Services	\$ 0	\$ 1,305
Supplies and Materials		
Teaching Supplies		393
Total Adult/Continuing Education	\$ 0	\$ 1,698
<u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Guidance Services</u>		
Salaries		
Counseling	\$ 60,690	\$ 59,529
Employee Benefits		
Life and Long-Term Disability Insurance	198	198
Health Insurance	4,328	4,099
Dental Insurance	170	200
Vision Insurance	13	85
Retirement	9,779	8,723
Employer Social Security	4,591	4,506
Worker's Compensation	14	15
Supplies and Materials		
Teaching Supplies	585	406
Total Guidance Services	\$ 80,368	\$ 77,761
<u>Health Services</u>		
Salaries	\$ 783	\$ 5,411
Employee Benefits		
Retirement	125	795
Employer Social Security	60	414

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
Supplies and Materials	3,672	1,630
Total Health Services	\$ 4,640	\$ 8,250

Social Work Services

Salaries		
Social Work	\$ 48,924	\$ 47,874
Employee Benefits		
Life and Long-Term Disability Insurance	396	396
Health Insurance	25,348	24,085
Dental Insurance	2,377	1,672
Vision Insurance	340	524
Retirement	7,803	6,910
Employer Social Security	3,639	3,567
Worker's Compensation	11	13
Unemployment	4,920	1,312
Purchased Services		
Travel and Conferences	608	303
Supplies and Materials		
Teaching Supplies	347	502
Total Social Work Services	\$ 94,713	\$ 87,158

Other Pupil Services

Salaries		
Class Sponsors and Advisors	\$ 1,350	\$ 1,350
Employee Benefits		
Retirement	221	201
Employer Social Security	102	102
Purchased Services		
Graduation	1,912	1,359
Student Insurance	0	9,542
Total Other Pupil Services	\$ 3,585	\$ 12,554

Instructional Staff

Improvement of Instruction

Purchased Services		
Continuing Education	\$ 6,417	\$ 6,422
Travel and Conferences	314	0



MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
Supplies and Materials		
Other Supplies and Materials	12,999	15,478
Total Improvement of Instruction	\$ 19,730	\$ 21,900
<u>Library</u>		
Salaries		
Librarians	\$ 16,192	\$ 0
Aides	8,680	8,751
Employee Benefits		
Retirement	3,712	1,117
Employer Social Security	1,903	656
Worker's Compensation	5	2
Purchased Services		
Contracted Services	0	64,956
Professional and Technical	5,270	6,179
Travel and Conferences	457	309
Postage	300	100
Repair of Equipment	460	2,146
Supplies and Materials		
Library Books	19,535	24,211
Periodicals	2,183	1,506
Other Supplies and Materials	4,884	5,672
Capital Outlay		
Equipment and Furniture	2,571	8,496
Other Expense		
Dues and Fees	125	20
Miscellaneous	0	162
Total Library	\$ 66,277	\$ 124,283
<u>Educational Television</u>		
Salaries		
Director	\$ 10,127	\$ 9,862
Substitute Director	52	104
Employee Benefits		
Life and Long-Term Disability Insurance	138	138
Dental Insurance	1,151	752
Vision Insurance	67	185
Retirement	1,422	1,257

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Employer Social Security	779	763
Worker's Compensation	2	2
Supplies and Materials		
Teaching Supplies	52	434
Other Expense		
Dues and Fees	0	750
Total Educational Television	<u>\$ 13,790</u>	<u>\$ 14,247</u>

Computer Assisted Instruction

Purchased Services		
Instructional Services	\$ 13,410	\$ 16,037
Travel and Conferences	829	548
Repair of Equipment	3,751	4,203
Supplies and Materials		
Other Supplies and Materials	10,567	6,892
Capital Outlay		
Equipment and Furniture	0	23,622
Total Computer Assisted Instruction	<u>\$ 28,557</u>	<u>\$ 51,302</u>

General Administrative Services

Board of Education

Salaries		
Board Members	\$ 3,150	\$ 3,375
Purchased Services		
Contracted Services	3,560	8,100
Legal, Audit and Professional Services	16,217	14,929
Travel and Conferences	265	231
Advertising	234	418
Printing and Binding	1,279	3,757
Elections	1,536	2,569
Supplies and Materials		
Office Supplies	415	111
Other Expense		
Dues and Fees	8,347	6,183
Miscellaneous	3,342	2,398
Total Board of Education	<u>\$ 38,345</u>	<u>\$ 42,071</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
<u>Executive Administration</u>		
Salaries		
Superintendent	\$ 99,953	\$ 98,019
Secretarial	37,142	34,630
Employee Benefits		
Life and Long-Term Disability Insurance	473	473
Health Insurance	24,250	22,993
Dental Insurance	1,792	1,672
Vision Insurance	489	525
Retirement	21,581	18,885
Employer Social Security	9,869	9,524
Worker's Compensation	40	43
Purchased Services		
Travel and Conferences	774	1,025
Communications	1,825	2,083
Repair of Equipment	309	30
Supplies and Materials		
Office Supplies	1,067	1,229
Other Expense		
Dues and Fees	0	210
Miscellaneous	357	180
Total Executive Administration	<u>\$ 199,921</u>	<u>\$ 191,521</u>

School Administrative Services

Office of the Principal - Elementary

Salaries		
School Direction and Management	\$ 80,982	\$ 78,287
Secretarial	42,319	32,976
Employee Benefits		
Life and Long-Term Disability Insurance	473	473
Health Insurance	23,810	22,624
Dental Insurance	822	2,388
Vision Insurance	33	473
Retirement	19,519	15,965
Employer Social Security	9,175	8,333
Worker's Compensation	38	37

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Purchased Services		
Travel and Conferences	644	215
Communications	1,782	1,839
Repair of Equipment	25	119
Office Supplies	2,975	1,522
Capital Outlay		
Equipment and Furniture	881	0
Other Expense		
Dues and Fees	515	515
Miscellaneous	239	168
Total Office of the Principal - Elementary	<u>\$ 184,232</u>	<u>\$ 165,934</u>
 <u>Office of the Principal - Middle School</u>		
Salaries		
School Direction and Management	\$ 74,249	\$ 78,207
Secretarial	22,546	21,107
Substitute Secretary	137	181
Employee Benefits		
Life and Long-Term Disability Insurance	450	473
Health Insurance	12,238	12,666
Dental Insurance	1,370	1,430
Vision Insurance	1,168	470
Retirement	15,176	14,065
Employer Social Security	7,300	7,611
Worker's Compensation	27	30
Purchased Services		
Travel and Conferences	644	688
Communication	1,996	2,346
Supplies and Materials		
Office Supplies	992	1,066
Other Expense		
Dues and Fees	595	515
Miscellaneous	396	97
Total Office of the Principal - Middle School	<u>\$ 139,284</u>	<u>\$ 140,952</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2006	2005
<u>Office of the Principal - High School</u>		
Salaries		
Secretarial	\$ 22,204	\$ 20,965
Substitute Secretary	50	805
Employee Benefits		
Life and Long-Term Disability Insurance	198	198
Health Insurance	11,685	10,893
Dental Insurance	1,398	1,007
Vision Insurance	289	208
Retirement	3,587	3,190
Employer Social Security	1,560	1,522
Worker's Compensation	11	12
Purchased Services		
Contracted Services	78,928	77,420
Travel and Conferences	275	9
Communication	2,701	2,830
Supplies and Materials		
Office Supplies	707	1,401
Other Expense		
Miscellaneous	125	100
Total Office of the Principal - High School	<u>\$ 123,718</u>	<u>\$ 120,560</u>

Business Services

Fiscal Services

Salaries		
Accounting	\$ 44,809	\$ 42,116
Employee Benefits		
Life and Long-Term Disability Insurance	198	198
Health Insurance	10,900	10,327
Dental Insurance	1,128	836
Vision Insurance	18	262
Retirement	7,144	6,080
Employer Social Security	3,428	3,222
Worker's Compensation	22	23
Purchased Services		
Data Processing	10,306	11,099

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Supplies and Materials		
Office Supplies	522	877
Total Fiscal Services	\$ 78,475	\$ 75,040
<u>Other Business Services</u>		
Employee Benefits		
Other Employee Benefits	\$ 57,867	\$ 61,096
Purchased Services		
Insurance and Bond Premiums	5,388	6,163
Other Expense		
Taxes Abated and Written-Off	2,395	1,087
Total Other Business Services	\$ 65,650	\$ 68,346
<u>Operation and Maintenance of Plant</u>		
Salaries		
Custodians	\$ 298,092	\$ 276,837
Employee Benefits		
Life and Long-Term Disability Insurance	1,593	1,593
Health Insurance	82,004	78,336
Dental Insurance	7,524	6,589
Vision Insurance	1,624	1,983
Retirement	45,967	39,182
Employer Social Security	22,756	21,132
Worker's Compensation	1,038	0
Unemployment	572	2,322
Purchased Services		
Insurance and Bond Premiums	31,978	37,553
Travel and Conferences	211	145
Communication - Telephone	24,777	21,945
Utility Services		
Electricity	93,283	90,764
Heating Fuel	83,297	42,861
Water and Disposal	18,616	16,342
Repair and Maintenance Services		
Building and Grounds	10,534	16,487
Parking/Athletic Complex	4,465	6,453
Equipment	21,050	23,523
Other Purchased Services	500	765

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Rentals - Uniforms	2,794	3,121
Supplies and Materials		
Custodial Supplies	38,325	27,350
Repair Supplies for Equipment	12,656	8,608
Repair Supplies for Land and Buildings	49,709	41,930
Capital Outlay		
Equipment and Furniture	6,814	12,839
Other Expense		
Miscellaneous	748	185
Total Operation and Maintenance of Plant	<u>\$ 860,927</u>	<u>\$ 778,845</u>
 <u>Pupil Transportation Services</u>		
Salaries	\$ 225,976	\$ 217,120
Employee Benefits		
Life and Long-Term Disability Insurance	2,082	2,322
Health Insurance	118,505	116,864
Dental Insurance	10,207	10,969
Vision Insurance	4,131	3,010
Retirement	35,755	31,519
Employer Social Security	14,111	13,720
Worker's Compensation	620	700
Purchased Services		
Travel and Conferences	605	1,005
Pupil Transportation	1,559	2,423
Communication	829	1,142
Insurance	15,486	10,012
Repairs and Maintenance	2,952	1,406
Rentals - Uniforms	546	497
Supplies and Materials		
Gasoline, Oil and Grease	73,995	52,431
Tires, Tubes and Batteries	3,908	3,066
Vehicle Repair Parts	36,157	37,086
Garage Supplies	7,884	9,393
Capital Outlay		
Equipment	505	1,200
New Buses	176,689	95,406

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Other Expense		
Miscellaneous	5,006	4,245
Total Pupil Transportation Services	<u>\$ 737,508</u>	<u>\$ 615,536</u>
<u>Central Information Services</u>		
Purchased Services		
Mailing and Postage	\$ 530	\$ 1,670
Rental	3,911	3,609
Equipment Maintenance	4,670	4,488
Supplies and Materials		
Copier Supplies	17,640	16,094
Capital Outlay		
Equipment	0	10,109
Total Central Information Services	<u>\$ 26,751</u>	<u>\$ 35,970</u>
 <u>COMMUNITY SERVICES</u>		
<u>Civic Activities</u>		
Supplies and Materials	<u>\$ 157</u>	<u>\$ 0</u>
 Total Expenditures	<u>\$ 7,802,489</u>	<u>\$ 7,350,183</u>
 <u>OTHER FINANCING USES</u>		
Operating Transfers Out		
School Service Fund - Food Service	\$ 16,000	\$ 7,000
School Service Fund - Athletics Activities	259,059	264,153
Capital Project Fund	<u>100,000</u>	<u>200,000</u>
 Total Other Financing Uses	<u>\$ 375,059</u>	<u>\$ 471,153</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 8,177,548</u></u>	<u><u>\$ 7,821,336</u></u>



MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>ASSETS</u>			
Cash	\$ 131,965	\$ 20,883	\$ 84,341
Inventory	1,790	0	0
Investments	0	0	61,496
TOTAL ASSETS	<u>\$ 133,755</u>	<u>\$ 20,883</u>	<u>\$ 145,837</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 494	\$ 0	\$ 0
Due to Other Funds	130,248	0	26,934
Total Liabilities	<u>\$ 130,742</u>	<u>\$ 0</u>	<u>\$ 26,934</u>
<u>FUND BALANCE</u>			
Reserved			
Inventory	\$ 1,790	\$ 0	\$ 0
Endowments	0	0	50,000
Unreserved			
Designated for:			
Food Service	1,223	0	0
Athletic Activities	0	20,883	0
School Operated Public Library	0	0	68,903
Total Fund Balance	<u>\$ 3,013</u>	<u>\$ 20,883</u>	<u>\$ 118,903</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 133,755</u>	<u>\$ 20,883</u>	<u>\$ 145,837</u>

# TOTALS

2006	2005
\$ 237,189	\$ 207,197
1,790	1,274
61,496	59,142
\$ 300,475	\$ 267,613

\$ 494	\$ 291
157,182	111,512
\$ 157,676	\$ 111,803

\$ 1,790	\$ 1,274
50,000	50,000

1,223	554
20,883	29,894
68,903	74,088
\$ 142,799	\$ 155,810
\$ 300,475	\$ 267,613

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>REVENUES</u>			
Local Sources	\$ 116,940	\$ 45,309	\$ 3,077
Intermediate Sources	0	0	23,934
State Sources	17,588	0	1,220
Federal Sources	148,954	0	0
Total Revenues	\$ 283,482	\$ 45,309	\$ 28,231
<u>EXPENDITURES</u>			
Food Services	\$ 298,297	\$ 0	\$ 0
Athletic Activities	0	313,379	0
School Operated Public Library	0	0	33,416
Total Expenditures	\$ 298,297	\$ 313,379	\$ 33,416
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,815)	\$ (268,070)	\$ (5,185)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	16,000	259,059	0
Net Change in Fund Balance	\$ 1,185	\$ (9,011)	\$ (5,185)
<u>FUND BALANCE</u> - Beginning of Year	1,828	29,894	124,088
<u>FUND BALANCE</u> - End of Year	\$ 3,013	\$ 20,883	\$ 118,903

TOTALS	
2006	2005
\$ 165,326	\$ 158,065
23,934	26,307
18,808	18,304
148,954	142,336
\$ 357,022	\$ 345,012
\$ 298,297	\$ 278,798
313,379	299,419
33,416	21,068
\$ 645,092	\$ 599,285
\$ (288,070)	\$ (254,273)
275,059	271,153
\$ (13,011)	\$ 16,880
155,810	138,930
\$ 142,799	\$ 155,810

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 131,965	\$ 97,710
Inventory	1,790	1,274
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 133,755</u>	<u>\$ 98,984</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 494	\$ 291
Due to Other Funds	130,248	96,865
	<hr/>	<hr/>
Total Liabilities	<u>\$ 130,742</u>	<u>\$ 97,156</u>
<u>FUND BALANCE</u>		
Reserved for Inventory	\$ 1,790	\$ 1,274
Unreserved		
Designated for Food Service	1,223	554
	<hr/>	<hr/>
Total Fund Balance	<u>\$ 3,013</u>	<u>\$ 1,828</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 133,755</u></u>	<u><u>\$ 98,984</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 421	\$ 131
Food Sales	111,665	109,507
Miscellaneous	4,854	3,204
State Sources		
State Aid - Regular	17,588	17,085
Federal Sources		
Federal Aid	130,728	122,208
U.S.D.A. Donated Commodities	18,226	20,128
	<hr/>	<hr/>
Total Revenues	\$ 283,482	\$ 272,263
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries		
Cooks and Assistants	\$ 86,527	\$ 79,032
Student Salaries	2,822	2,885
Employee Benefits		
Life and Long-Term Disability Insurance	552	552
Health, Dental and Vision Insurance	37,486	39,229
Retirement	13,973	11,638
Employer Social Security	5,750	5,243
Worker's Compensation	302	317
Purchased Services		
Travel and Expense	788	0
Professional and Technical	875	875
Repairs and Maintenance	1,071	1,575

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Supplies and Materials		
Food Purchases	119,955	111,375
U.S.D.A. Donated Commodities	18,226	20,128
Other Supplies	9,044	4,675
Other Expenses	926	1,274
Total Expenditures	\$ 298,297	\$ 278,798
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,815)	\$ (6,535)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In - General Fund	16,000	7,000
Net Change in Fund Balance	\$ 1,185	\$ 465
<u>FUND BALANCE</u> - Beginning of Year	1,828	1,363
<u>FUND BALANCE</u> - End of Year	\$ 3,013	\$ 1,828

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 20,883	\$ 29,894
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	20,883	29,894
TOTAL LIABILITIES AND FUND BALANCE	\$ 20,883	\$ 29,894



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 82	\$ 35
Admissions	25,072	22,859
Tournaments	20,155	20,623
	<hr/>	<hr/>
Total Revenues	\$ 45,309	\$ 43,517
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries	\$ 178,568	\$ 172,170
Employee Benefits		
Life and Long-Term Disability Insurance	457	275
Health, Dental and Vision Insurance	16,469	13,764
Retirement	28,034	24,171
Employer Social Security	13,636	13,229
Annuities	1,500	1,500
Worker's Compensation	40	43
Purchased Services		
Travel and Expense	1,390	2,107
Officials and Game Workers	21,124	21,594
Printing and Binding	642	1,117
Supplies and Materials		
Athletic Supplies	13,110	15,521
Uniforms	6,737	6,543
Awards and Trophies	3,158	1,620
Capital Outlay		
Equipment	1,779	1,847
Other Expenses		
Dues and Fees	4,835	5,180
Sports Tournaments	19,676	16,589
Sports Camps	1,409	1,416
Miscellaneous	815	733
	<hr/>	<hr/>
Total Expenditures	\$ 313,379	\$ 299,419
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (268,070)	\$ (255,902)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In - General Fund	<u>259,059</u>	<u>264,153</u>
Net Change in Fund Balance	\$ (9,011)	\$ 8,251
<u>FUND BALANCE</u> - Beginning of Year	<u>29,894</u>	<u>21,643</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 20,883</u>	<u>\$ 29,894</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 84,341	\$ 79,593
Investments	<u>61,496</u>	<u>59,142</u>
TOTAL ASSETS	<u>\$ 145,837</u>	<u>\$ 138,735</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	<u>\$ 26,934</u>	<u>\$ 14,647</u>
<u>FUND BALANCE</u>		
Reserved for Endowments	\$ 50,000	\$ 50,000
Unreserved		
Designated for School Operated Public Library	<u>68,903</u>	<u>74,088</u>
Total Fund Balance	<u>\$ 118,903</u>	<u>\$ 124,088</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 145,837</u>	<u>\$ 138,735</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 2,618	\$ 1,225
Copies and Book Fines	459	481
Intermediate Sources		
Penal Fines	23,934	26,307
State Sources		
Library State Aid	1,220	1,219
	<hr/>	<hr/>
Total Revenues	\$ 28,231	\$ 29,232
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries	\$ 22,100	\$ 12,335
Employee Benefits		
Retirement	3,069	1,399
Employer Social Security	1,663	910
Worker's Compensation	5	3
Purchased Services		
Professional and Technical	729	1,276
Repairs and Maintenance	479	0
Travel and Conferences	287	73
Supplies and Materials		
Library Books	2,705	2,617
Periodicals	190	923
Other Supplies	1,378	967
Other Expenses		
Miscellaneous	1	107
Capital Outlay	550	0
Dues and Fees	260	458
	<hr/>	<hr/>
Total Expenditures	\$ 33,416	\$ 21,068
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,185)	\$ 8,164
<u>FUND BALANCE</u> - Beginning of Year	<hr/> 124,088	<hr/> 115,924
<u>FUND BALANCE</u> - End of Year	<hr/> \$ 118,903	<hr/> \$ 124,088
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	1997	1998	2002
<u>ASSETS</u>			
Taxes Receivable	\$ 4,564	\$ 0	\$ 1,565
Investments	209,846	0	76,999
Due from Other Funds	3,851	0	1,626
	<hr/>		
Total Assets	\$ 218,261	\$ 0	\$ 80,190
<hr/>			
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Deferred Revenue	\$ 2,967	\$ 0	\$ 880
 <u>FUND BALANCE</u>			
Reserved for Debt Service	215,294	0	79,310
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 218,261	\$ 0	\$ 80,190
	<hr/>		

TOTALS	
2006	2005
\$ 6,129	\$ 5,346
286,845	250,682
5,477	5,477
\$ 298,451	\$ 261,505

\$ 3,847	\$ 3,063
----------	----------

294,604	258,442
---------	---------

\$ 298,451	\$ 261,505
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MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	1997	1998	2002
<u>REVENUES</u>			
Local Sources			
Property Tax Levy	\$ 539,700	\$ 0	\$ 231,237
Penalties and Interest on Delinquent Taxes	437	0	67
Earnings on Investments and Deposits	4,869	0	1,036
State Sources			
State Aid	0	5,223	0
Total Revenues	\$ 545,006	\$ 5,223	\$ 232,340
<u>EXPENDITURES</u>			
Redemption on Serial Bonds	\$ 390,000	\$ 0	\$ 180,000
Interest on Building and Site Bonds	150,930	5,223	11,550
Dues and Fees	808	0	508
Taxes Abated and Written Off	5,521	0	1,867
Total Expenditures	\$ 547,259	\$ 5,223	\$ 193,925
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,253)	\$ 0	\$ 38,415
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	0	0	0
Net Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (2,253)	\$ 0	\$ 38,415
<u>FUND BALANCE</u> - Beginning of Year	217,547	0	40,895
<u>FUND BALANCE</u> - End of Year	\$ 215,294	\$ 0	\$ 79,310

TOTALS	
2006	2005
\$ 770,937	\$ 728,256
504	47
5,905	4,049
5,223	0
\$ 782,569	\$ 732,352
\$ 570,000	\$ 600,000
167,703	187,155
1,316	558
7,388	1,909
\$ 746,407	\$ 789,622
\$ 36,162	\$ (57,270)
\$ 0	\$ 962
0	(962)
\$ 0	\$ 0
\$ 36,162	\$ (57,270)
258,442	315,712
\$ 294,604	\$ 258,442



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	2006	2005
	<hr/>	
<u>ASSETS</u>		
Due from Other Funds	\$ 50,000	\$ 200,000
Interest Receivable	8,948	0
Investments	1,117,506	1,052,380
	<hr/>	
TOTAL ASSETS	\$ 1,176,454	\$ 1,252,380
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	
<u>FUND BALANCE</u>		
Unreserved		
Designated for Capital Projects	1,176,454	1,252,380
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,176,454	\$ 1,252,380
	<hr/>	

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 45,903	\$ 19,435
<u>EXPENDITURES</u>		
Capital Outlay		
Buildings and Site Improvements	<u>221,829</u>	<u>64,285</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (175,926)	\$ (44,850)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In	<u>100,000</u>	<u>200,000</u>
Net Change in Fund Balance	\$ (75,926)	\$ 155,150
<u>FUND BALANCE</u> - Beginning of Year	<u>1,252,380</u>	<u>1,097,230</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 1,176,454</u></u>	<u><u>\$ 1,252,380</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/01/05	(Including Transfers)		6/30/06
Athletic	\$ 12,037	\$ 38,091	\$ 38,368	\$ 11,760
Band Supplies	4,267	18,590	17,282	5,575
Choir	1,302	7,025	6,681	1,646
Chorale	1,722	14,427	15,861	288
Class of 2005	253	0	253	0
Class of 2006	2,540	41,636	43,841	335
Class of 2007	3,094	8,634	12,014	(286)
Class of 2008	1,130	3,585	3,189	1,526
Class of 2009	0	4,486	3,062	1,424
Debate Camp Fund	(44)	3,669	1,237	2,388
Drama Club	263	0	0	263
Elementary Account	3,812	18,430	18,936	3,306
Equestrian Team	462	7,407	5,315	2,554
Flower Fund	0	150	23	127
Fun Funds	1,537	1,165	1,839	863
Leadership Class	0	5,068	4,734	334
Library	981	0	199	782
Martinez/Hillard Auction	0	11,169	11,150	19
McBain Rural Foundation	3,185	26,827	29,026	986
Mexico Trip	186	0	139	47
Miscellaneous	2,088	2,098	2,029	2,157
Middle School	1,106	33,850	28,303	6,653
Missaukee Area Teen Center	3,571	0	327	3,244
National Honor Society	685	8,395	8,072	1,008
Photo Club	112	0	0	112
Project H.E.R.O.	185	3,691	1,453	2,423
Prom Nite	1,106	2,560	2,320	1,346
Resource Room	1,286	0	434	852
Student Council	3,301	2,665	2,070	3,896
Technology	62	0	0	62
Yearbook	4,585	12,037	15,329	1,293
	<u>\$ 54,814</u>	<u>\$ 275,655</u>	<u>\$ 273,486</u>	<u>\$ 56,983</u>

Represented by

Assets

Cash

\$ 54,814

\$ 56,983

Liabilities

Due to Groups

and Organizations

\$ 54,814

\$ 56,983

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SCHEDULE OF 2005 TAX ROLL

YEAR ENDED JUNE 30, 2006

	TAXABLE VALUE	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.00 MILLS)</u>				
<u>MISSAUKEE COUNTY</u>				
Aetna Township	\$ 3,056,061	\$ 55,009	\$ 49,385	\$ 5,624
City of McBain	14,413,024	259,434	247,254	12,180
Clam Union Township	8,858,365	159,450	153,313	6,137
Holland Township	1,564,285	28,157	26,521	1,636
Lake Township	6,990,453	125,828	92,812	33,016
Reeder Township	2,660,422	47,888	42,464	5,424
Richland Township	6,373,985	114,732	108,518	6,214
Riverside Township	5,238,684	94,296	90,349	3,947
<u>CLARE COUNTY</u>				
Winterfield Township	23,336	420	420	0
<u>OSCEOLA COUNTY</u>				
Highland Township	1,421,478	25,587	22,757	2,830
Marion Township	55,700	1,003	1,003	0
<u>WEXFORD COUNTY</u>				
Clam Lake Township	28,206	508	508	0
	<u>\$ 50,683,999</u>	<u>\$ 912,312</u>	<u>\$ 835,304</u>	<u>\$ 77,008</u>
<u>DEBT RETIREMENT FUNDS ( 5.00 MILLS)</u>				
<u>MISSAUKEE COUNTY</u>				
Aetna Township	\$ 10,025,988	\$ 50,130	\$ 44,347	\$ 5,783
City of McBain				
Regular	19,460,192	97,301	92,677	4,624
Industrial Facilities Tax	1,543,600	7,718	6,502	1,216
Clam Union Township	25,450,388	127,252	126,502	750
Holland Township	3,712,078	18,561	18,346	215
Lake Township	11,023,210	55,116	44,860	10,256
Reeder Township	9,086,708	45,434	39,298	6,136
Richland Township	36,237,464	181,187	168,521	12,666
Riverside Township	25,067,052	125,335	119,022	6,313
<u>CLARE COUNTY</u>				
Winterfield Township	164,010	820	820	0
<u>OSCEOLA COUNTY</u>				
Highland Township	11,722,194	58,611	58,020	591
Marion Township	441,160	2,206	2,003	203
<u>WEXFORD COUNTY</u>				
Clam Lake Township	253,232	1,266	1,266	0
	<u>\$ 154,187,276</u>	<u>\$ 770,937</u>	<u>\$ 722,184</u>	<u>\$ 48,753</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2006

<u>TITLE OF ISSUE</u>	1997 School Building and Site Refunding Bonds		
<u>PURPOSE</u>	For erecting, furnishing and equipping additions to, and partially remodeling, refurnishing and equipping the McBain school building; refunding the outstanding 1987 School Building and Site Bonds		
<u>DATE OF ISSUE</u>	November 1, 1997		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>	\$ 5,610,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 2,490,000		
During Current Year	<u>390,000</u>	<u>2,880,000</u>	
<u>BALANCE OUTSTANDING - June 30, 2006</u>			<u><u>\$ 2,730,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2006		\$ 66,495	\$ 66,495	
May 1, 2007	4.60%	456,495	66,495	\$ 390,000
November 1, 2007		57,428	57,428	
May 1, 2008	4.65%	447,428	57,428	390,000
November 1, 2008		48,263	48,263	
May 1, 2009	4.70%	438,263	48,263	390,000
November 1, 2009		38,903	38,903	
May 1, 2010	4.80%	428,903	38,903	390,000
November 1, 2010		29,348	29,348	
May 1, 2011	4.90%	419,348	29,348	390,000
November 1, 2011		19,598	19,598	
May 1, 2012	5.00%	409,598	19,598	390,000

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2006

November 1, 2012		9,848	9,848	
May 1, 2013	5.00%	399,848	9,848	390,000
		<u>\$ 3,269,766</u>	<u>\$ 539,766</u>	<u>\$ 2,730,000</u>

DENOMINATION

\$5,000 each, numbered 1 to 1,122, inclusive

REDEMPTION PRIOR TO MATURITY

Bonds of this issue maturing in the years 1999 to 2007, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2008 to 2013, inclusive, shall be subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2007, at par plus accrued interest to the date fixed for redemption.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1998 SCHOOL IMPROVEMENT BOND PAYMENT SCHEDULE  
JUNE 30, 2006

1998 BOND ISSUE

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	For purposes permitted in Section 1351(a) of Act 451, Public Acts of Michigan
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>AMOUNT OF ISSUE</u>	\$ 74,383
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 26,862
During Current Year	<u>0</u> <u>26,862</u>
<u>BALANCE OUTSTANDING - June 30, 2006</u>	<u>\$ 47,521</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2007	3.451%	\$ 5,223	\$ 1,882	\$ 3,341
May 15, 2008	3.451%	5,224	1,549	3,675
May 15, 2009	3.451%	5,224	1,420	3,804
May 15, 2010	3.451%	5,223	1,286	3,937
May 15, 2011	3.451%	5,223	1,148	4,075
May 15, 2012	3.451%	24,649	1,006	23,643
May 15, 2013	3.451%	5,223	177	5,046
		<u>\$ 55,989</u>	<u>\$ 8,468</u>	<u>\$ 47,521</u>

<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this
-------------------------------------	--

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

2002 SCHOOL IMPROVEMENT BOND PAYMENT SCHEDULE  
JUNE 30, 2006

2002 BOND ISSUE

<u>TITLE OF ISSUE</u>	2002 School Improvement Bond		
<u>PURPOSE</u>	For purposes permitted in Section 1351(a) of Act 451, Public Acts of Michigan		
<u>DATE OF ISSUE</u>	August 1, 2002		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$ 860,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 460,000		
During Current Year	<u>180,000</u>	<u>640,000</u>	
<u>BALANCE OUTSTANDING - June 30, 2006</u>		<u><u>\$ 220,000</u></u>	

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2006		\$ 3,300	\$ 3,300	
May 1, 2007	3.000%	223,300	3,300	\$ 220,000
		<u>\$ 226,600</u>	<u>\$ 6,600</u>	<u>\$ 220,000</u>

REDEMPTION PRIOR TO MATURITY

This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.



**MCBAIN RURAL AGRICULTURAL SCHOOLS**

**MCBAIN, MICHIGAN**

**SINGLE AUDIT**

**JUNE 30, 2006**

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2006

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
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1902 - 1990  
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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

COMPLIANCE

We have audited the compliance of McBain Rural Agricultural Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. McBain Rural Agricultural Schools major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McBain Rural Agricultural Schools' management. Our responsibility is to express an opinion on McBain Rural Agricultural Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McBain Rural Agricultural Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on McBain Rural Agricultural Schools' compliance with those requirements.

In our opinion, McBain Rural Agricultural Schools complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## INTERNAL CONTROL OVER COMPLIANCE

The management of McBain Rural Agricultural Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McBain Rural Agricultural Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated July 12, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the McBain Rural Agricultural Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	ADJUSTMENTS
<b>U.S. Department of Education</b>								
Passed Through Michigan Department of Education (M.D.E.)								
ESEA Title I - Part A								
Project No. 061530-0506	84.010	\$ 268,867	\$ 0	\$ 0	\$ 268,867	\$ 0	\$ 268,867	\$ 0
Title V - Innovative Education Program								
Project No. 060250-0506	84.298	\$ 6,303	\$ 0	\$ 0	\$ 6,303	\$ 0	\$ 6,303	\$ 0
Title II - A Improving Teacher Quality								
Project No. 060520-0506	84.367	\$ 71,882	\$ 0	\$ 0	\$ 71,882	\$ 0	\$ 71,882	\$ 0
Title II D Technology Literacy								
Project No. 064290-0506	84.318	\$ 5,016	\$ 0	\$ 0	\$ 5,016	\$ 0	\$ 5,016	\$ 0
Drug Free Schools and Communities								
Project No. 062860-0506	84.186	\$ 8,000	\$ 0	\$ 0	\$ 8,000	\$ 0	\$ 8,000	\$ 0
Total Passed Through M.D.E.		\$ 360,068	\$ 0	\$ 0	\$ 360,068	\$ 0	\$ 360,068	\$ 0
Total U.S. Department of Education		\$ 360,068	\$ 0	\$ 0	\$ 360,068	\$ 0	\$ 360,068	\$ 0
<b>U.S. Department of Health and Human Services</b>								
Passed Through Family Independence Agency (F.I.A.)								
Family Preservation and Support Service								
Contract No. SFSC-06-57001	93.556	\$ 21,500	\$ 0	\$ 0	\$ 15,607	\$ 12,322	\$ 3,285	\$ 0
Passed Through Wexford Missaukee Intermediate School District (I.S.D)								
Medicaid Outreach								
Project No. - None	93.778	\$ 4,456	\$ 0	\$ 0	\$ 4,456	\$ 4,456	\$ 0	\$ 0
Total U.S. Department of Health and Human Services		\$ 25,956	\$ 0	\$ 0	\$ 20,063	\$ 16,778	\$ 3,285	\$ 0
<b>U.S Department of Homeland Security</b>								
Passed Through Michigan State Police								
Homeland Security Grant Program, Part II Equipment								
Project No. - None	97.004	\$ 2,621	\$ 0	\$ 0	\$ 2,621	\$ 2,621	\$ 0	\$ 0

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	ADJUSTMENTS
<b>U.S Department of Agriculture</b>								
Passed Through Michigan State Police								
Child Nutrition								
National School Lunch								
Section 4 - Total Servings - 1950	10.555	\$ 24,293	\$ 0	\$ 22,852	\$ 24,293	\$ 24,293	\$ 0	\$ 0
Section 11 - Free and Reduced - 1960	10.555	94,803	0	87,347	94,803	94,803	0	0
Total	10.555	\$ 119,096	\$ 0	\$ 110,199	\$ 119,096	\$ 119,096	\$ 0	\$ 0
National School Lunch - Breakfast 051950 and 061950	10.553	\$ 11,632	\$ 0	\$ 12,009	\$ 11,632	\$ 11,632	\$ 0	\$ 0
Total Child Nutrition Cluster		\$ 130,728	\$ 0	\$ 122,208	\$ 130,728	\$ 130,728	\$ 0	\$ 0
Food Distribution								
Entitlement and Bonus Commodities	10.550	\$ 18,226	\$ 0	\$ 20,128	\$ 18,226	\$ 18,226	\$ 0	\$ 0
Total U.S. Department of Agriculture		\$ 148,954	\$ 0	\$ 142,336	\$ 148,954	\$ 148,954	\$ 0	\$ 0
Total Federal Financial Assistance		\$ 537,599	\$ 0	\$ 142,336	\$ 531,706	\$ 168,353	\$ 363,353	\$ 0
					(B)	(C)		

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2006 basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Federal Revenues from Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	\$ <u>531,706</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>531,706</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(C) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Grant Section Auditor's Report Dated June 30, 2006		\$ 473,984
Add Items Not on Grant Section Auditor's Report:		
Amounts Received as Pass Through from Family Independence Agency		
Family Preservation and Support Service	\$ 12,322	
Amounts Received as Pass Through from Wexford Missaukee ISD	4,456	
Amount Received as Pass Through from Michigan State Police	2,621	
Amounts Received as Payments in Kind Food Distribution Program		
Entitlement and Bonus Commodities	<u>18,226</u>	37,625
Less Non-Federal Payments Reported on the Grant Section Auditor's Report:		
State Funded School Breakfast		(2,055)
Less Timing Difference of Checks Not Received By June 30 <sup>th</sup> .		<u>(341,201)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		\$ <u><u>168,353</u></u>



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CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools as of and for the year ended June 30, 2006, which collectively comprise the McBain Rural Agricultural Schools basic financial statements and have issued our report thereon dated July 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered McBain Rural Agricultural Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect McBain Rural Agricultural Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of McBain Rural Agricultural Schools in a separate letter dated July 12, 2006.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether McBain Rural Agricultural Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Finding 2005-A (from the 2004/2005 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**A. Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Reportable condition(s) identified that are not considered to be material weaknesses?   X   Yes      \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes        X   No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes        X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   No

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Findings and Questioned Costs – Basic Financial Statements Audit**

2006 - A

Reportable Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was not considered to be a material weakness.

Corrective Action Plan

Inadequate segregation of duties.

With the status of state funding, the District is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The District and Superintendent Dan Bachman will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

None

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CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

Dear Board Members:

During our audit of the financial statements of the McBain Rural Agricultural Schools for the year ended June 30, 2006, we noted the following items which we believe should be reviewed and/or considered for adoption into the management and accounting procedures of the School District:

Athletic Activities Internal Controls

The District should consider methods to strengthen its internal controls over revenues received from admissions. We have suggested certain low cost accounting techniques to the business office related to this topic and urge the District to consider implementation of these additional controls.

Budgeting Procedures

The School has excellent procedures and controls in place to prepare and monitor the budgets. However, we did note the following item that was not in compliance with Act 621 (Uniform Budgeting and Accounting Act).

The Food Service Fund, Athletic Fund and School Operates Public Library Fund expenditures exceeded the budgeted amounts.

Internal Controls

During the course of our audit of the general-purpose financial statements of the McBain Rural Agricultural Schools, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements:

- (a) The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties, and we note this item here only to maintain the Board of Education's awareness of this limitation in their internal controls.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

The foregoing is a communication which is required by Statement of Auditing Standards Number 60. We realize, however, that it might not be financially cost effective for the School board to establish a larger accounting staff to allow implementation of additional segregation of duties.

#### Condition of Accounting Records

The accounting records were again found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

We wish to take this opportunity to thank the Board for again awarding this firm the audit assignment of the District, and the administration and staff for their cooperative spirit and assistance in helping us fulfill this audit engagement. The friendly, cooperative and enthusiastic response to our requests for data, facts and figures is very much appreciated and enhances the efficiency of the audit process. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*